

Message Text

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PAGE 01 ISLAMA 05225 281001Z
ACTION NEA-11

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 PA-02 NSC-05
SS-15 STR-07 CEA-01 /116 W
-----008106 281009Z /10

R 280740Z MAY 78
FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC 7391
INFO AMEMBASSY PARIS

UNCLAS ISLAMABAD 5225

PARIS FOR USOECD

E.O. 11652: N/A
TAGS: EFIN, PK
SUBJ: GOP REVALUES GOLD HOLDINGS

REF: ISLAMABAD 4387

1. THE MAY 11 BALANCE SHEET OF THE STATE BANK OF PAKISTAN, WHICH JUST APPEARED, SHOWED GOLD AND FOREIGN EXCHANGE RESERVES AT DOLS868 MILLION, A RISE OF \$214 MILLION OVER THE MAY 4 FIGURE OF \$654 MILLION. THE INCREASE WAS SOLELY THE RESULT OF A REVALUATION OF PAKISTAN'S 1.7 MILLION OUNCES OF GOLD FROM RS.418 PER OZ. TO RS.1710.72 PER OUNCE WHICH WAS THE MAY 5 PRICE ON THE LONDON GOLD MARKET. THE EFFECT WAS TO INCREASE THE GOLD COMPONENT OF RESERVES FROM \$71 MILLION TO \$291 MILLION. OTHER COMPONENTS OF PAKISTAN'S FOREIGN EXCHANGE RESERVES DROPPED SLIGHTLY FROM \$583 MILLION TO \$577 MILLION DURING THE WEEK ENDING MAY 11.

2. THE INCREASE WAS DECIDED ON BY THE STATE BANK OF PAKISTAN IN ACCORDANCE WITH THE RECENTLY RATIFIED
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SECOND AMENDMENT TO THE ARTICLES OF THE IMF WHICH ALLOWS MEMBER COUNTRIES TO VALUE THEIR GOLD HOLDINGS AS THEY CHOOSE.

3. WE ARE INFORMED THAT THE STATE BANK DECISION WAS CLEARED BY A LOW-LEVEL OFFICIAL IN THE FINANCE MINISTRY WHO NEITHER CONSULTED NOR INFORMED HIS

SUPERIORS. NO PUBLICITY HAS BEEN GIVEN TO THE
DECISION.

4. WITHOUT THE REVALUATION, PAKISTAN'S FOREIGN
EXCHANGE RESERVES WOULD HAVE BEEN \$648 MILLION INCLUDING
\$26.3 MILLION OF SDRS. THE END APRIL FIGURE
(REFTEL) WAS \$644 MILLION.
HUMMEL

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NNN

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